MONTANA HEALTH CARE ASSOCIATION

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EXHIBIT 18
DATE 3-5-07
HB 808

APPROPRIATIONS COMMITTEE
March 5, 2007

NURSING HOMES
MEDICAID REIMBURSEMENT ISSUES

1. ***PROVIDER RATE INCREASE.***

We seek an increase in reimbursement that will provide a reimbursement rate that is equal to the actual cost of providing a day of nursing home care. The skilled nursing facility (SNF) market basket projections indicate that skilled nursing facility costs will increase about 3.268% in FY 08 and 3.165% in FY 09.

Applying inflation to current costs, we project costs for the 2009 biennium to be:

FY08 $155.10
FY09 $160.01

State Fiscal Year	Medicaid Rate	Cost of Care Per Patient Day (Projected)	Rate vs. Cost Comparison (before IGT)
2007(current)	$146.00	$150.20	($4.20)

State Fiscal Year	Medicaid Rate Governor's Budget	Cost of Care Per Patient Day (Projected)	Rate vs. Cost Comparison (no IGT)
2008	$149.65	$155.10	($5.45)
2009	$149.65	$160.01	($10.36)

State Fiscal Year	Medicaid Rate HB 808 2.5% each year	Cost of Care Per Patient Day (Projected)	Rate vs. Cost Comparison (no IGT)
2008	$149.65	$155.10	($5.45)
2009	$153.39	$160.01	($6.62)

It would take about a 6% rate increase the first year of the biennium to cover the projected costs of $155.10 and an additional 3.2% rate increase the second year of the biennium to cover the projected costs of $160.01.

Nursing homes pay a provider tax to help fund Medicaid rates. Total provider tax paid by nursing homes amounts to about $16.5 Million. This money is used - instead of state general funds - to match federal funds used to reimburse nursing homes. Nursing homes have paid this tax since 1992 to help assure the adequacy of Medicaid reimbursement rates.

Counties with nursing homes have also helped fund Medicaid rates for nursing homes. In FY06 counties paid about $3.8 M to the state as part of an intergovernmental transfer program (IGT). These funds are used in a similar manner to the provider tax, i.e., to match with federal funds to enhance Medicaid payments to nursing homes. About $1.6 M of these funds are diverted from use for lump sum IGT payments to nursing homes and are used instead to support the base rates in the nursing home and also community services programs.

The provider tax and the IGT program were both implemented to help assure that rates paid to nursing homes cover the actual cost of providing care to nursing home beneficiaries.

If the legislature provided only the funding contained in the Governor's budget, in FY 08 nursing homes will lose $5.45 for each day of care provided to Medicaid beneficiaries, and in FY 09 the loss will be up to $10.36 per patient day.

MHCA is proposing to reach the target rates through a combination of a provider rate increase, combined with a direct care wage initiative similar to what was provided during the current biennium and a return of IGT funds to the nursing home program. HB 808 includes funding for a direct care wage increase and also provides contingency language to protect nursing homes from federal changes to the IGT program.

The cost of the **state's share** of a rate increase for nursing homes is as follows.

	State Share FY08	State Share FY09	Biennium difference from Governor's budget
3% each year of biennium	$1,361,124	$2,730,919	$1,819,890
3.5% each year of biennium	$1,587,978	$3,186,072	$2,501,897
4% each year of biennium	$1,814,832	$3,641,225	$3,183,904

Medicaid patient days are projected to decline .5% each year of the biennium, so the days being used in these projections are:

FY 08 1,181,955
FY 09 1,176,045

The state's match rate is projected as:

FY 08 .3139
FY 09 .3149

2. ***DIRECT CARE WAGE INCREASES***

Nursing homes have worked hard with help from the legislature in the form of funds directed to wages, to improve wages to our direct care workers and to distance their wage rates from the minimum wage. This is necessary to attract needed staff, particularly CNA's. Our workers provide the most basic and intimate types of care to residents no longer able to do them for themselves. They tend to their personal hygiene needs as well as other physical, emotional and spiritual needs - often taking the place of absent family. This work can be back-breaking and physically and emotionally draining. To attract well-qualified people to this work we must place value on it through the wages we pay.

In previous sessions (including 2005), the legislature provided money for certain Medicaid providers to raise wages of direct care workers. Nursing homes were included in this proposal. We seek funding for an additional $1 per hour direct care wage increase for our workers similar to what was enacted in the 2005 session, as part of an over-all funding package for nursing homes. The previous language allowed the funding to be used for wages or benefits for CNA's, LPN's and RN's. *We would ask that the language be changed to include dietary, housekeeping and other lower paid workers in our facilities who also perform important services for our residents with inadequate compensation.*

If a direct care worker wage increase similar to what was adopted by the 2005 legislature is included for the next biennium, i.e., $1 per hour (salary and benefits) the first year of the

biennium, and sustained in the second year, the State share would be about:

FY 08	$1,900,194 (GF)
FY 09	$1,906,247 (GF)

HB 808 includes funding for a 70-cent per hour direct care wage increase.

3. MINIMUM WAGE INCREASE

The state minimum wage increased from $5.15 per hour to $6.15 per hour on January 1. The state minimum wage will increase by an inflation factor each year of the biennium.

Proposals in Congress look to increase the federal minimum wage to $7. 25 per hour.

Nursing homes have few if any employees being paid at the state minimum wage, so the effect of the new state law is indirect. However, if the federal minimum wage proposals become law, there will be a direct impact on nursing homes because there are some positions that pay below the federal proposal.

The bottom line is that it is very important for nursing homes wages to continue to be significantly higher than the minimum wage. It is not only right to place a high value on this important work, but it is necessary if we are to be able to staff our facilities and provide good care. If we are offering only a little more than minimum wage, why would potential employees choose to take the difficult jobs we offer?

The state increase in the minimum wage means we will need to provide not only an additional $1 per hour wage increase to maintain our relationship to the minimum wage but that we will also need to provide a wage increase each year at least equal to the inflation factor contained in the state law. If we do not do both, we will lose ground against the minimum wage.

This makes it more important than ever for Medicaid rates to pay costs and keep up with inflation and to provide funding for direct care workers.

4. *HEALTH CARE FOR HEALTH CARE WORKERS*

There are budget proposals and legislation being worked on to provide funding to certain Medicaid providers to be used for health care insurance. At this point, the proposal involves a pilot program for personal care attendants. The legislation also calls for a study to determine whether this type of health insurance mechanism would work for other Medicaid providers, such as nursing homes. This appears to be a reasonable approach - as long as a direct care wage increase or other reimbursement to nursing facilities allow us to compete for this level of worker. Providing a substantial benefit to workers in one setting, while not providing something for similar workers in other settings will create inequity among providers competing

for similar workers. These workers are in short supply and all provider groups need an opportunity to recruit and retain them.

5. *IGT FUNDING (INTERGOVERNMENTAL TRANSFERS)*

On January 18, CMS (Centers for Medicare & Medicaid Services) published proposed regulations in the Federal Register related to the IGT program. The proposal, if adopted, would end or substantially reduce the availability of IGT funding for nursing homes and other programs currently receiving IGT funds.

Currently two programs have IGT funds in their base reimbursements:

Nursing homes - about $600,000 per year
Community services - $1,000,000 per year

If the IGT funds are not available, the federal matching funds will also be lost, so the loss to these programs is about $1.9 M per year for nursing homes and about $3.2 M per year for community services.

We are asking that IGT funds be removed from the base of these two programs and that general fund or other stable funding source be substituted. HB 808 includes contingency language to replace the IGT funds with general funds if the IGT program falls below the current level of funding for county and non-county facilities.

To the extent that IGT continues to be an allowable funding mechanism, the funds should be used only to supplement Medicaid payments to county and non-county nursing homes. If the program is sustained, it could provide a non general fund source of funding small rate increases into the future.

We believe the budget should continue to include authority to receive, match and spend IGT funds from counties - but the amount authorized should be reduced to reflect a more realistic view of what an IGT program might actually look like - given past and proposed federal changes.

6. *PROVIDER TAX*

There were proposals at the federal level that would substantially reduce our ability to use provider taxes as a source of funding for nursing home reimbursement. The impact of the proposed change would have been $20 per patient day in nursing home reimbursement. A $20 per patient day cut in reimbursement to Montana's nursing homes would have a disastrous affect on the quality of patient care and the viability of our facilities . Fortunately, we were able to work with Sen. Baucus and other members of our congressional delegation to resolve this issue. Before adjourning for the year, congress passed legislation that protects our ability to use

provider taxes as a source of funding.

Nursing home providers currently pay about $16.5 million per year to the state for use as match in our medicaid rates.

MEDICAID - OTHER:

Personal Needs Allowance. MHCA voted to propose legislation to increase the personal needs allowance for nursing home residents on Medicaid. The current $40 per month allowance has not been changed in well over two decades. Our facilities are reporting that their residents are having more and more trouble meeting their basic needs for clothing, haircuts, etc., on $40 per month. We are looking to increase it to $50-55 per month. This proposal does not increase funding to nursing homes in any way, but is something we are doing to help our residents who don't have others to advocate for them. The general fund impact of increasing the personal needs allowance from $40 per month to $50 per month is projected to be about $128,000 per year general fund. MHCA is pleased that the Governor's proposed budget included an increase in the personal needs allowance from $40 to $50 per month, and that funding is included in HB 808.

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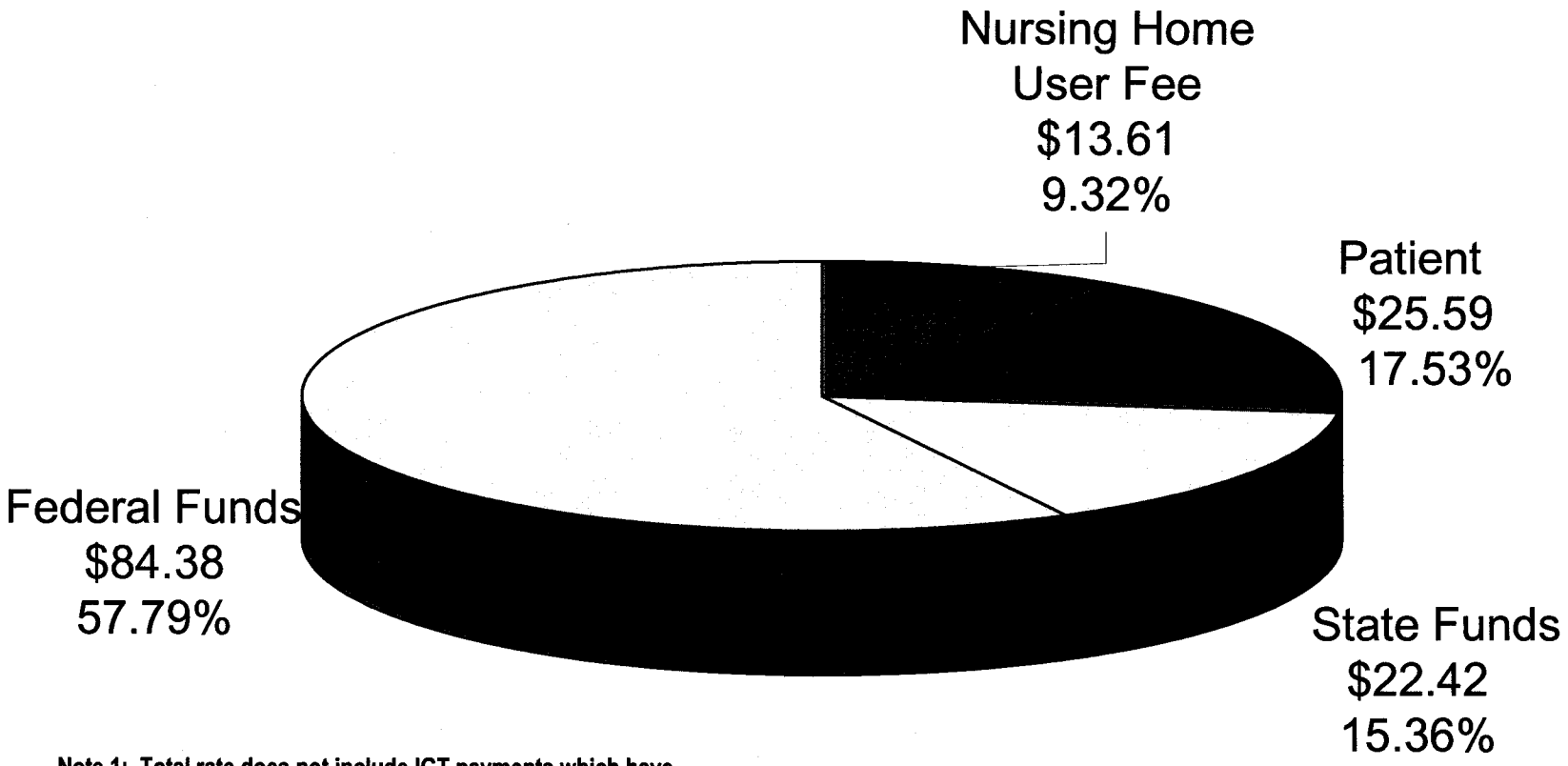
Montana's Nursing Homes
FY07 Contribution From Each Funding Source
Average Medicaid Rate (including IGT) = $146.00



Note 1: Total rate does not include IGT payments which have not yet been made (FY07 payments are projected to be about $2 ppd for non-county facilities and $4 ppd for county facilities)

Assumptions:

Medicaid days: 1,187,895 **Bed tax: $8.30 ppd**
Total days: 1,947,369 **FMAP: .2992**

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